

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Salem-South Lyon District Library</u>	County Oakland
Audit Date June 30, 2004	Opinion Date July 15, 2004	Date Accountant Report Submitted To State: September 17, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature <i>Plante & Moran, PLLC</i>			

Salem-South Lyon District Library

Financial Report with Supplemental Information June 30, 2004

Salem-South Lyon District Library

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Independent Auditor's Report

To the Salem-South Lyon
District Library Board
South Lyon, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salem-South Lyon District Library as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Salem-South Lyon District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Salem-South Lyon District Library as of June 30, 2004 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A member of



A worldwide association of independent accounting firms

To the Salem-South Lyon
District Library Board
South Lyon, Michigan

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

July 15, 2004

Salem-South Lyon District Library

Balance Sheet - Statement of Net Assets June 30, 2004

	General Fund	Debt Service Fund	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets					
Cash and cash equivalents (Note 4)	\$ 475,961	\$ 31,729	\$ 507,690	\$ -	\$ 507,690
Investments (Note 4)	511,760	-	511,760	-	511,760
Other assets	20,600	-	20,600	-	20,600
Due from other funds	-	3	3	(3)	-
Capital assets - Net of accumulated depreciation (Note 5)	-	-	-	2,241,320	2,241,320
Total assets	<u>\$ 1,008,321</u>	<u>\$ 31,732</u>	<u>\$ 1,040,053</u>	2,241,317	3,281,370
Liabilities					
Accounts payable	\$ 27,622	\$ -	\$ 27,622	-	27,622
Accrued liabilities	23,471	-	23,471	14,793	38,264
Due to other funds	3	-	3	(3)	-
Long-term debt - Current portion (Note 6)	-	-	-	115,000	115,000
Total current liabilities	51,096	-	51,096	129,790	180,886
Long-term debt - Net of current portion (Note 6)	-	-	-	1,816,000	1,816,000
Total liabilities	51,096	-	51,096	1,945,790	1,996,886
Fund Balances/Net Assets					
Fund balances:					
Reserved for debt service	-	31,732	31,732	(31,732)	-
Unreserved:					
Designated for capital improvements	268,271	-	268,271	(268,271)	-
Designated for equipment purchases	145,922	-	145,922	(145,922)	-
Undesignated	543,032	-	543,032	(543,032)	-
Total fund balances	<u>957,225</u>	<u>31,732</u>	<u>988,957</u>	<u>(988,957)</u>	-
Total liabilities and fund balances	<u>\$ 1,008,321</u>	<u>\$ 31,732</u>	<u>\$ 1,040,053</u>		
Net assets:					
Invested in capital assets - Net of debt				326,320	326,320
Restricted for debt				31,732	31,732
Unrestricted				926,432	926,432
Total net assets				<u>\$ 1,284,484</u>	<u>\$ 1,284,484</u>

Salem-South Lyon District Library

Statement of Revenue, Expenditures, and Changes in Fund Balances/Net Assets - Statement of Activities Year Ended June 30, 2004

	General Fund	Debt Service Fund	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue					
Property tax	\$ 463,019	\$ 103,202	\$ 566,221	\$ -	\$ 566,221
Charges to other units - Green Oak Township	175,368	66,355	241,723	-	241,723
Fines and fees	74,185	-	74,185	-	74,185
State aid	21,090	-	21,090	-	21,090
Gifts and miscellaneous	18,209	-	18,209	-	18,209
Interest on investments	5,513	764	6,277	-	6,277
Total revenue	757,384	170,321	927,705	-	927,705
Expenditures					
Personnel	420,261	-	420,261	8,259	428,520
Library services and materials	126,527	-	126,527	(80,565)	45,962
Facilities and equipment	69,660	-	69,660	(26,779)	42,881
Other expenditures	70,930	-	70,930	-	70,930
Debt service	-	206,260	206,260	(95,207)	111,053
Depreciation	-	-	-	184,112	184,112
Total expenditures	687,378	206,260	893,638	(10,180)	883,458
Excess of Revenue Over (Under) Expenditures	70,006	(35,939)	34,067	10,180	44,247
Other Financing Sources (Uses)					
Operating transfer in	18,788	-	18,788	(18,788)	-
Operating transfer out	-	(18,788)	(18,788)	18,788	-
Total other financing sources (uses)	18,788	(18,788)	-	-	-
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	88,794	(54,727)	34,067	10,180	44,247
Fund Balances/Net Assets - July 1, 2003	868,431	86,459	954,890	285,347	1,240,237
Fund Balances/Net Assets - June 30, 2004	<u>\$ 957,225</u>	<u>\$ 31,732</u>	<u>\$ 988,957</u>	<u>\$ 295,527</u>	<u>\$ 1,284,484</u>

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note I - Nature of Organization and Summary of Significant Accounting Policies

The Salem-South Lyon District Library (the "Library") was established on May 18, 1993 by a district library agreement between the Township of Salem and the City of South Lyon pursuant to the District Library Establishment Act. The Library's boundaries include the City of South Lyon, Michigan and the Township of Salem, Michigan, with the exception of a small area of the Township of Salem located within the jurisdiction of the Ann Arbor Public Schools. The Library is funded through a tax levy on property located within the district, fines, fees, and state aid.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations. The Library has elected not to include this MD&A section in the financial statements.
- Financial statements prepared using full accrual accounting for all of the Library's activities
- A change in the fund financial statements to focus on the major funds

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, there are no component units to be included in the Library's financial report.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the retirement of the 1996 General Obligation Unlimited Tax Bonds.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2004 ad valorem tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Library District totaled \$597.6 million, on which ad valorem taxes levied consisted of 0.7900 mills for operating purposes and 0.1751 mills for debt service. This resulted in \$463,019 for operating and \$103,202 for debt service. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings	30 years
Furniture and equipment	5-7 years
Library books, periodicals, and videos	3 years

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following are reconciliation of fund balance to net assets and the net change in fund balances to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 988,957
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	2,241,320
Compensated absences are included as a liability	(16,000)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(14,793)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(1,915,000)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 1,284,484</u>

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis	\$ 34,067
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books, material, and equipment	107,344
Depreciation	(184,112)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund financial statements	(8,259)
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Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(14,793)
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Principal payments on long-term liabilities are expressed on the fund statements	<u>110,000</u>
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Change in Net Assets of Governmental Activities - Full Accrual Basis	<u>\$ 44,247</u>
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Note 3 - Budget Information

The annual budget is prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 3 - Budget Information (Continued)

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and Debt Service Fund can be found in the supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Debt Service Fund - Operating transfer out	\$ -	\$ 18,788

Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes library units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three banks for the deposit of library funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, and such obligations, bonds, and securities as permitted by the statutes of the State of Michigan.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 4 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the Library is as follows:

	Balance Sheet Category		
	Cash and Cash Equivalents	Investments	Total
GASB No. 34 classifications:			
Deposits	\$ 53,729	\$ 302,097	\$ 355,826
Investments	453,961	209,663	663,624
Total	<u>\$ 507,690</u>	<u>\$ 511,760</u>	<u>\$ 1,019,450</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$368,170. Of that amount, approximately \$166,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At June 30, 2004, the Library's investments consisted solely of bank investment pools. Normally, investments are categorized to give a level of risk assumed by the entity. However, the investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Library believes that the investments in these funds comply with the investment authority noted above. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 152,000	\$ -	\$ -	\$ 152,000
Capital assets being depreciated:				
Building	2,399,816	-	-	2,399,816
Furniture and equipment	306,337	26,778	22,968	310,147
Library books, periodicals, and videos	890,895	80,565	67,695	903,765
Subtotal	3,597,048	107,343	90,663	3,613,728
Less accumulated depreciation	(1,430,390)	(184,112)	(90,094)	(1,524,408)
Net capital assets being depreciated	2,166,658	(76,769)	569	2,089,320
Net capital assets	\$ 2,318,658	\$ (76,769)	\$ 569	\$ 2,241,320

Depreciation expense was \$184,112 for the year ended June 30, 2004.

Note 6 - Long-term Debt

Outstanding Debt

The long-term debt of the Library consists of accumulated employee benefits of \$16,000 and a general obligation bond issue with an outstanding principal balance of \$1,915,000 at June 30, 2004. The bond bears interest at rates between 4.5 percent and 6.4 percent and matures in 2016.

The accumulated employee benefits represent the estimated liability to be paid to governmental fund-type employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation and sick time based on time of service with the Library.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 6 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2004:

	Bonds	Accumulated Employee Benefits	Total
Balance - July 1, 2003	\$ 2,025,000	\$ 7,741	\$ 2,032,741
Principal payment	(110,000)	-	(110,000)
Increase in accrual of long-term compensated absences	-	8,259	8,259
Balance - June 30, 2004	<u>\$ 1,915,000</u>	<u>\$ 16,000</u>	<u>\$ 1,931,000</u>
Amount due within one year	<u>\$ 115,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2004 (excluding employee benefits), including principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2005	\$ 115,000	\$ 88,760	\$ 203,760
2006	125,000	81,400	206,400
2007	130,000	75,775	205,775
2008	140,000	69,925	209,925
2009	145,000	63,625	208,625
2010-2014	860,000	211,925	1,071,925
2015-2016	<u>400,000</u>	<u>27,600</u>	<u>427,600</u>
Total	<u>\$ 1,915,000</u>	<u>\$ 619,010</u>	<u>\$ 2,534,010</u>

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2004

Note 6 - Long-term Debt (Continued)

Interest

During the year ended June 30, 2004, the Library incurred interest expense of \$95,910.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library does not provide medical benefits; however, employees may be eligible for a monthly stipend toward their personal medical coverage. The Library has purchased commercial insurance for employee injury claims and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 8 - Defined Contribution Retirement Plan

The Library provides pension benefits to all of its eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. As established by the Board, the Library contributes 6 percent of employees' gross earnings, and employees may contribute an amount not to exceed the Internal Revenue Service guidelines. Retirement contributions for the past three years are as follows:

	2002	2003	2004
Employer	\$ 23,113	\$ 21,406	\$ 25,986
Employee	19,603	13,670	13,322
Total contributions	<u>\$ 42,716</u>	<u>\$ 35,076</u>	<u>\$ 39,308</u>

Required Supplemental Information

Salem-South Lyon District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property tax	\$ 472,000	\$ 463,006	\$ 463,019	\$ 13
Green Oak allocable share	159,000	172,994	175,368	2,374
Fines and fees:				
Penal fines	48,000	48,000	51,705	3,705
Fines	18,000	18,000	19,930	1,930
Nonresident fees	-	2,550	2,550	-
Total fines and fees	66,000	68,550	74,185	5,635
State aid	10,650	8,278	21,090	12,812
Gifts and miscellaneous:				
Single business tax	3,500	3,500	3,974	474
Gifts and miscellaneous	-	13,157	14,235	1,078
Total gifts and miscellaneous	3,500	16,657	18,209	1,552
Interest on investments	16,000	4,000	5,513	1,513
Operating transfers in	-	-	18,788	18,788
Total revenue	727,150	733,485	776,172	42,687
Expenditures				
Personnel:				
Salaries	374,000	374,000	354,195	19,805
Employee benefits	42,600	42,600	33,176	9,424
Dues and workshops	3,500	3,500	3,035	465
FICA expense	29,000	29,000	28,174	826
State unemployment tax	650	650	523	127
Federal unemployment tax	800	800	334	466
Transportation and travel	1,600	1,600	824	776
Total personnel	452,150	452,150	420,261	31,889
Library services and materials:				
Library materials	71,500	76,969	74,917	2,052
Library supplies	6,000	11,000	10,940	60
Computer supplies	7,500	2,500	1,440	1,060
Cooperative fee	37,000	34,208	31,294	2,914
Programs	8,000	8,000	7,936	64
Total library services and materials	130,000	132,677	126,527	6,150

Salem-South Lyon District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Facilities and equipment:				
Maintenance and repairs	\$ 14,200	\$ 18,909	\$ 18,603	\$ 306
Utilities	30,000	32,000	31,993	7
Insurance	7,500	7,500	6,782	718
Equipment	7,500	12,500	12,282	218
Total facilities and equipment	59,200	70,909	69,660	1,249
Other expenditures:				
Contractual services	28,000	26,000	23,733	2,267
Attorney fees	500	500	-	500
Auditor	4,400	7,820	7,820	-
Board expenditures	500	500	269	231
Office supplies	5,000	4,000	3,840	160
Postage	2,400	1,000	924	76
Bank service charges	1,000	-	-	-
Telephone	4,000	4,000	3,025	975
Printing	1,000	1,400	1,224	176
Gift purchases	-	8,449	3,903	4,546
Contingency fund	39,000	27,000	26,192	808
Total other expenditures	85,800	80,669	70,930	9,739
Total expenditures	727,150	736,405	687,378	49,027
Excess of Revenue Over (Under) Expenditures	-	(2,920)	88,794	91,714
Fund Balance - July 1, 2003	868,431	868,431	868,431	-
Fund Balance - June 30, 2004	<u>\$ 868,431</u>	<u>\$ 865,511</u>	<u>\$ 957,225</u>	<u>\$ 91,714</u>

Other Supplemental Information

Salem-South Lyon District Library

Other Supplemental Information Budgetary Comparison Schedule Debt Service Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property tax	\$ 104,628	\$ 103,199	\$ 103,202	\$ 3
Green Oak allocable share	80,132	66,355	66,355	-
Interest on investments	<u>1,500</u>	<u>733</u>	<u>764</u>	<u>31</u>
Total revenue	186,260	170,287	170,321	34
Expenditures				
Debt service	206,260	206,260	206,260	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>18,788</u>	<u>(18,788)</u>
Total expenditures	<u>206,260</u>	<u>206,260</u>	<u>225,048</u>	<u>(18,788)</u>
Excess of Expenditures Over Revenue	(20,000)	(35,973)	(54,727)	(18,754)
Fund Balance - July 1, 2003	<u>86,459</u>	<u>86,459</u>	<u>86,459</u>	<u>-</u>
Fund Balance - June 30, 2004	<u><u>\$ 66,459</u></u>	<u><u>\$ 50,486</u></u>	<u><u>\$ 31,732</u></u>	<u><u>\$ (18,754)</u></u>